

ECRET

Acting NIO/Economics
23 October 1985

USSR: Getting Tough on Trade with Eastern Europe

Moscow is pressing hard for economic concessions from Eastern Europe in its current discussions of the next five-year plan.

- Moscow has told the East Germans that some equipment formerly supplied by the USSR will have to be purchased from the West, and deliveries of certain raw materials from the Soviet Union--such as zinc, coal, lead, and timber--will be reduced.
- Other East European countries have learned that there will be reductions in supplies of raw materials such as non-ferrous metals and chemicals.
- Oil deliveries to Bulgaria, which has been re-exporting some Soviet oil for hard currency, will also be reduced apparently to levels sufficient to meet domestic needs only.
- Outside of CEMA, Moscow is threatening not to increase gas deliveries to Yugoslavia in what may be an effort to lever the Yugoslavs into purchasing a Soviet nuclear reactor.

Eastern Europe's trade deficit with the USSR has already been cut substantially as Romania, Hungary, and Czechoslovakia increased exports to the USSR this year, apparently at the expense of sales to the West.

- So far, aside from the reduction to Bulgaria, the Soviets have kept their promise to continue providing oil at last year's level.
- Indeed, the trade press indicates the USSR temporarily reduced oil deliveries further to the West in recent weeks so that it could make up for shortfalls in Iranian deliveries to CEMA countries.
- Moscow, however, is pressing CEMA for increased help in building energy infrastructure in the USSR--particularly the Yamburg gas pipeline--as part of the price for maintaining oil shipments and to provide more gas.

If, as expected, Moscow's new five-year plan calls for increased investment in the heavy industrial base and energy with no reduction in the defense effort, consumer goods production will suffer.

SECRET

SECRET

25X1

- Moscow will likely look to Eastern Europe to make up some of this shortfall both for consumer products and machinery to make the goods.
- The CEMA countries have already cut back growth of investment in equipment to produce consumer goods, however, and will not be able to increase significantly deliveries to the USSR while maintaining domestic availability.

SECRET